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BORDER REGION COOPERATION AND DEVELOPMENT

Mexico's economic crisis has had severe repercussions on both sides of the border, where commercial activity has declined since mid-1982. One of the few bright spots and one which most clearly represents the interdependent border relationship is the Mexican in-bond industry program (maquiladoras), which involves largely US-owned, labor-intensive manufacturing and assembly plants operating on the Mexican side. Both sides understand the need for cooperation on border issues. We believe a healthy border economy requires bilateral cooperation. President de la Madrid has taken special interest in the development of the border region. Many Mexicans, however, favor closer integration of the Mexican border region into the national economy and are wary of a U.S. initiative that may compromise this goal. Although no mechanism has yet been established for bilateral consultations on in-bond issues, this activity is potentially of great commercial importance to both Mexico and the United States, especially to our border communities.

In-Bond Industry: Mexico is currently the world's second largest in-bond producer, with 600 in-bond plants employing about 129,000 workers. The assembled goods are exported mainly to the US and consist primarily of electronics (70%) and wearing apparel (10%). The border industry program, benefiting from lower labor and materials costs in Mexico, accounts for about \$1 billion annually in exports to the U.S. and offers Mexico an excellent opportunity to attract sorely needed foreign capital. In-bond issues are of great commercial importance to both countries.

Bridges and Border Crossings: The 1982 Border Relations Action Group, a temporary group under the Binational Commission, improved procedures for study and decision-making on new or replacement international bridges and border crossings. Implementation of these procedures is expected to be completed following the recent reorganization of some government agencies under the new de la Madrid Administration.

Customs and Transportation: Currently, transportation and customs facilitation issues are handled under various mechanisms. The bilateral Customs Conference, established in 1977, has made progress in coordinating work hours at the border and reducing delays in border clearances. The Transportation Working Group of the US-Mexico Joint Commission on Commerce and Trade has been discussing trade-related transportation issues since mid-1981, including an attempt to get Mexico to fully implement its law allowing reciprocal access for truckers within the 20 kilometer "border zone".

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Wide Range of Border Cooperation: Over the years the two governments have established a wide range of arrangements to promote border cooperation such as: boundary and water questions under the joint International Boundary and Water Commission (IBWC), cooperation in cases of natural disasters (FEMA), maritime oil spill contingency response (USCG), environmental cooperation and a notification system for exports of hazardous wastes (EPA), cooperative planning on housing and urban development (HUD), and border health programs (HHS/PHS).

Working Group on Southwestern Border States: At President Reagan's request, a Working Group on Southwestern Border States has reviewed current economic impact upon U.S. border counties resulting from economic problems in Mexico. The Working Group, chaired by Commerce, was composed of representatives from State, Treasury, Justice, Labor, HHS, HUD, OMB, the Small Business Administration and representatives from various White House offices. The Working Group has presented recommendations to the White House Office of Cabinet Affairs which generally involve expanding benefits of existing government programs to border counties in Texas, New Mexico, Arizona and California.

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